

## Message Text

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SUBJECT: PREVIEW OF EDRC REVIEW OF AUSTRIA, JUNE 5

REFS: (A) OECD PARIS 13812, (B) VIENNA 3095, (C) VIENNA 3171

1. APPRECIATE PREVIEW CONTAINED REF (A). FOLLOWING  
ARE OUR COMMENTS AND QUESTIONS:

2. GENERAL OUTLOOK:

OUR IMPRESSION IS THAT SECRETARIAT DOCUMENT ONLY SLIGHTLY  
LESS OPTIMISTIC ABOUT OUTLOOK FOR AUSTRIAN ECONOMY THAN  
OFFICIAL GOA FORECAST. WITH EXCEPTION OF ESTIMATED EXPORT  
PERFORMANCE AND ITS IMPACT ON OVERALL ECONOMIC GROWTH,  
SECRETARIAT'S STUDY LARGELY REFLECTS AUSTRIAN OFFICIAL  
ECONOMIC FORECAST PUBLISHED LAST APRIL (SEE REF B).  
BECAUSE OF PERSISTENT INTERNATIONAL ECONOMIC WEAKNESSES,  
FURTHER DOWNWARD REVISION OF AUSTRIAN GNP FORECAST CURRENTLY  
UNDER PREPARATION, TO BE PUBLISHED END OF JUNE. EXPERTS  
ARE TIGHT-LIPPED AS TO EXTENT OF REVISION, CLAIMING  
CURRENT DOWNWARD TREND EXAGGERATED BY EXTRAORDINARILY  
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HIGH COMPARABLE VALUES IN FIRST QUARTER OF 1974.

INDICATIONS ARE THAT NEW GNP REAL GROWTH FORECAST FOR 1975 WILL BE REVISED DOWNWARD BELOW 2 PERCENT. ACCORDING TENTATIVE ESTIMATES, FIRST QUARTER 1975 GNP FELL ABOUT 3 PERCENT BELOW 1974 LEVEL AND FOR SECOND QUARTER CURRENT YEAR ZERO GROWTH IS EXPECTED.

3. EXPORTS:

AUSTRIAN EXPERTS LESS PESSIMISTIC THAN SECRETARIAT STUDY REGARDING SETBACK IN EXPORTS. THEY REFER TO FACT THAT FIRST QUARTER 1975 EXPORTS WERE VIRTUALLY AT SAME LEVEL AS COMPARABLE 1974 PERIOD WHEN EXPORTS WERE 45 PERCENT ABOVE PRIOR YEAR LEVEL. TWO-THIRDS OF DECLINE IN EXPORTS TO EC AND EFTA AND TO US WERE OFFSET BY INCREASE IN EXPORTS TO EASTERN EUROPEAN COUNTRIES DURING FIRST QUARTER OF THIS YEAR. EXPERTS ANTICIPATE THAT THIS TREND WILL CONTINUE, A JUDGMENT EMBASSY INCLINED TO AGREE WITH.

4. INVESTMENT PROGRAM:

SECRETARIAT OBSERVATION THAT STIMULATIVE MEASURES RECENTLY ANNOUNCED APPEAR TO BE ADEQUATE IN PRESENT SITUATION BUT THAT QUICK SUPPLEMENTAL ACTION WOULD HAVE TO BE TAKEN IF ANTICIPATED RECOVERY IN FOREIGN TRADE IS UNDULY DELAYED, REFLECTS GOA VIEW OF CURENT SITUATION. QUESTION ARISES AS TO WHAT FURTHER MEASURES GOA WOULD HAVE IN MIND. GOA'S AS 12 BILLION PROGRAM TO STIMULATE INVESTMENT AND EXPORTS (REF C) (FYI: WHICH IS STRONGLY MOTIVATED BY POLITICO/ECONOMIC CONSIDERATIONS-END FYI) IS ONLY IN EARLY STAGES OF IMPLEMENTATION AND THERE IS SKEPTICISM IN SOME LOCAL QUARTERS WHETHER PROGRAM WILL STIMULATE PRIVATE INVESTMENT IN THOSE INDUSTRIES THAT DO NOT SEE IMMEDIATE CHANCE FOR BETTER PROSPECTS FOR DOMESTIC OR FOREIGN SALES. IT WOULD BE USEFUL TO HEAR AUSTRIAN DELEGATION'S COMMENTS ON INVESTMENT PROGRAM WHICH HAS A CONSIDERABLE ERP-FUND COMPONENT IN IT. BARDACH WILL BRIEF MISSION ON SPECIAL ASPECTS THIS COMPONENT.

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5. OUTLOOK FOR DEMAND AND EMPLOYMENT.

SECRETARIAT PROJECTS 4 PERCENT REAL GROWTH IN PRIVATE CONSUMPTION IN 1975 AGAINST AUSTRIAN ESTIMATE OF LAST MARCH OF 5 PERCENT AND REAL GROWTH IN 1974 OF 3.7 PERCENT. THIS WOULD BE SLIGHT IMPROVEMENT OVER 1974. QUESTION ARISES WHETHER SLUGGISH CONSUMER BUYING MAY BE PARTLY RESULT OF LARGER THAN EXPECTED DEGREE OF

SATURATION AND/OR QUALITY DETERIORATION. GOA OFFICIALS  
HAVE REPEATELY RECOMMENDED THAT INDUSTRY SHOULD  
CONSIDER EXTENDING USABLE LIFE OF CONSUMER GOODS.

6. GNP FORECAST

RE PARA 7, REF (A), IT WILL BE INTERESTING TO SEE HOW  
AUSTRIAN DELEGATION WILL FINESSE POLITICALLY CHARGED  
MATTER OF GNP FORECAST. DELEGATION MAY WELL ARGUE THAT  
SPECIFIC FORECAST FIGURES BE HELD IN ABEYANCE UNTIL THEIR OWN  
NEW ESTIMATES ARE AVAILABLE LATER IN JUNE. EMBASSY  
HAS NO OBJECTION TO MAKING LOW-KEY COMMENT ALONG  
LINES SUGGESTED BY MISSION.BUCHANAN

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